

## Message Text

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ACTION OES-06

INFO OCT-01 EUR-12 ISO-00 NRC-05 CG-00 DOTE-00 COME-00  
EB-08 CIAE-00 DODE-00 FMC-01 INR-07 NSAE-00 SAL-01  
DLOS-06 L-03 XMB-02 PM-04 ACDA-07 TRSE-00 FEA-01 /064 W  
-----270506Z 057080 /14  
R 262157Z JAN 77  
FM AMEMBASSY OTTAWA  
TO SECSTATE WASHDC 2245  
INFO ERDA HQ WASHDC

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SECSTATE FOR OES/NET/KRATZER; ERDA FOR SIEVERING AND NEWBY

DEPT PLEASE PASS NUCLEAR REGULATORY COMMISSION FOR LAFLEUR AND  
BIRKEL; US COAST GUARD FOR CDR. J. DECK III

E.O. 11652: N/A  
TAGS: TECH, CA  
SUBJECT: CANADIAN POLAR VII NUCLEAR ICEBREAKER

REF: 76 OTTAWA 4909

1. Z. LEVINE (DIRECTOR, ADVANCED SHIP DEVELOPMENT, MARITIME  
ADMINISTRATION, WASHINGTON) CONFERRED WITH A SENIOR OFFICIAL OF  
CANADIAN COAST GUARD (CCG) IN OTTAWA 20 JANUARY 1977 REGARDING STATUS  
OF CANADIAN EVALUATION OF PROSPECTIVE SUPPLIERS OF NUCLEAR  
PROPULSION SYSTEM FOR POLAR VII NUCLEAR ICEBREAKER. INFORMATION  
DISCLOSED IN CONFIDENCE INCLUDES THE FOLLOWING.

2. SUMMARY: TECHNICAL EVALUATIONS SUBMITTED TO CCG. ALL  
FOUR SUPPLIERS QUALIFIED. AECB "LICENSABILITY" DETERMINATIONS DUE  
EARLY FEBRUARY. CCG REPLIES TO SUPPLIERS SCHEDULED MID-FEBRUARY.  
OPPORTUNITY FOR SUPPLIERS TO RE-BID WITH FINAL SELECTION IN MARCH OR  
APRIL 1977. CABINET APPROVAL OF PHASE B ENGINEERING CONTRACT LIKELY  
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IN MAY. FRANCE NOW FRONT RUNNER. SUBSTANTIAL REDUCTIONS IN U.S.  
CONTRACTORS' BIDS ESSENTIAL TO REMAIN IN CONTENTION. RECENT OIL  
COMPANIES' PRESSURE TO ACCELERATE MARINE ARCTIC TRANSPORTATION.  
SUGGESTION THAT CCG PROCEED SIMULTANEOUSLY WITH NON-NUCLEAR ICE-  
BREAKER AND WITH PHASE B ENGINEERING OF NUCLEAR. RENEWED INTEREST  
IN U.S./GOC COLLABORATION IN MARINE ARCTIC TRANSPORTATION DEVELOP-  
MENT.

3. FOLLOWING IS TEXT OF LEVINE REPORT TO EMBASSY:

(A) CONTRACTOR TECHNICAL EVALUATION REPORT PREPARED BY CECO CONSULTANTS, LTD., IS NOW IN COAST GUARD HANDS; ALL FOUR POSSIBLE SUPPLIERS (FRANCE, FRG, UK AND U.S.) WERE FOUND QUALIFIED, WITH PLUSES AND MINUSES IDENTIFIED FOR EACH SUPPLIER.

(B) AECB REPORT ON LICENSABILITY OF EACH PROSPECTIVE SUPPLIER, EXPECTED EARLY IN FEBRUARY, WILL CARRY WEIGHT IN COAST GUARD'S FINAL EVALUATION AND SELECTION OF A SUPPLIER.

(C) COAST GUARD EXPECTS TO ISSUE WRITTEN REPLIES TO PROSPECTIVE SUPPLIERS AROUND 15 FEBRUARY 1977 ADVISING WHERE THEY RANK AND IDENTIFYING PLUS AND MINUS FACTORS. RESUBMITTALS BY SUPPLIERS IN RESPONSE TO THIS WILL BE CONSIDERED BY COAST GUARD IN MAKING FINAL SELECTION WHICH PRESUMABLY WILL OCCUR DURING MARCH OR APRIL 1977.

(D) CABINET APPROVAL TO AWARD PHASE B ENGINEERING CONTRACT TO SELECTED NUCLEAR SUPPLIER LIKELY TO OCCUR AROUND MAY 1, 1977.

(E) U.S. CONTRACTOR (BABCOCK & WILCOX TEAMED WITH NEWPORT NEWS SHIPBUILDING) IS PROBABLY OUT OF CONTENTION BECAUSE OF HIGH COST ESTIMATE FOR SUPPLY OF EQUIPMENT AND SERVICES AND HIGH COST ESTIMATED FOR REMAINING FIRST-OF-A-KIND (FOAK) DEVELOPMENT. SUBSTANTIAL REDUCTION OF THE FIRST COST, DOWN TO \$90 MILLION, COULD ALTER COMPETITIVE PICTURE PROVIDED FOAK COST ESTIMATE IS ALSO LIMITED OFFICIAL USE

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REDUCED AND/OR ELIMINATE. EUROPEAN COMPETITORS APPARENTLY ESTIMATED LITTLE, IF ANY, FOAK EXPENSE TO BE ABSORBED BY CANADA BECAUSE OF HEAVY FUNDING PROMISED BY GOVERNMENTS OF FRANCE AND FRG, RESPECTIVELY,

FOR THEIR ON-GOING NUCLEAR MERCHANT SHIP R&D PROGRAMS. UNLESS EQUIVA-

LENT SUPPORT FOR REMAINING FOAK EXPENSE CAN BE PROVIDED BY ERDA AND/OR

MARAD, IT IS DOUBTFUL U.S. INDUSTRIAL TEAM CAN BEAT OUT FRANCE WHOSE CONTRACTORS (TECHNICATOME AND ALSTHOM-ATLANTIQUE) ARE GOVERNMENT CONTROLLED CORPORATIONS. FRANCE IS CLEARLY THE FRONT-RUNNER AT THIS TIME

AND IS CONTINUING MOST AGGRESSIVE SALES EFFORT WITH VISIBLE PARTICIPATION AND SUPPORT OF HIGHEST LEVEL GOVERNMENT OF FRANCE OFFICIALS.

(F) COAST GUARD WOULD WELCOME RESUBMITTAL BY THE U.S. CONTRACTORS IF REVISED COST ESTIMATES WILL IMPROVE US COMPETITIVE POSITION (IT IS UNDERSTOOD MARAD HAS PUT PRESSURE ON THE CONTRACTORS TO DELETE ALL EXCESS COSTS DOWN TO A "FINAL OFFER" AND RESUBMIT TO

CECO AND COAST GUARD EARLY IN FEBRUARY).

(G) CANADIAN COAST GUARD RECEIVING INTENSE PRESSURE OVER PAST SEVERAL MONTHS FROM CANADIAN PETROLEUM COMPANIES TO GET ON WITH DEVELOPMENT OF COMMERCIAL MARINE TRANSPORTATION IN THE HIGH ARCTIC. IN PAST WEEK SUGGESTION HAS BEEN MADE TO PROCEED IMMEDIATELY WITH NON-NUCLEAR VERSION OF POLAR VII WHICH CAN BE IN SERVICE TWO YEARS EARLIER (1981-1982) AND SIMULTANEOUSLY GO FORWARD WITH PHASE B ENGINEERING OF NUCLEAR VERSION OF POLAR VII ON THE THEORY THAT URGENCY OF NEED TO EXPLOIT CANADIAN ARCTIC ENERGY RESOURCES WILL JUSTIFY TWO ADVANCED POLAR ICEBREAKERS OF POLAR VII CLASS. ALTHOUGH COAST GUARD IS OPPOSED TO ANYTHING LESS THAN THE NUCLEAR VERSION OF POLAR VII ON GROUNDS THAT THE NON-NUCLEAR VERSION IS SEVERELY LIMITED IN OPERATIONAL ENDURANCE AND LESS COST-EFFECTIVE THAN THE NUCLEAR POLAR VII, CABINET MAY SUCCUMB TO INDUSTRY PRESSURE AND DIRECT EARLY START ON NON-NUCLEAR VERSION IN PARALLEL WITH PHASE B NUCLEAR ENGINEERING.  
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(H) DOME PETROLEUM'S SUBSIDIARY, CANMAR IS PRESSING CANADIAN COAST GUARD FOR R&D ASSISTANCE ON THEIR ARCTIC MARINE LOCOMOTIVE (AML) CONCEPT WHICH EMPLOYS A 150,000 HORSEPOWER TUG TO PUSH ARCTIC CLASS X LNG VESSELS INTO KING CHRISTIAN ISLAND GAS FIELDS. DOME WANTS TO BE IN OPERATION IN EARLY 1980'S WITH CLASS X VESSELS WHICH COAST GUARD HAD CONSIDERED AS THE NEXT GENERATION (LATE 1980'S) OF DEVELOPMENT AFTER THE POLAR VII ICEBREAKER. OTHER PETROLEUM COMPANIES ARE SEEKING SIMILAR R&D SUPPORT FROM COAST GUARD WHICH HAS NEITHER SUFFICIENT STAFF NOR FUNDS FOR SUCH PROGRAMS.

(I) COAST GUARD AGAIN EXPRESSED WILLINGNESS TO EXPLORE US-CANADIAN COLLABORATION IN DEVELOPMENT OF ARCTIC MARINE TRANSPORTATION (PREVIOUS CABLE OTTAWA 4223, OCT. 21, 1976 ADVISED THAT COMMISSIONER WILLIAM O'NEIL WAS RECEPTIVE TO FORMULATION OF A JOINT US-CANADIAN PROGRAM) ESPECIALLY SINCE CANADIAN INDUSTRY IS DEMANDING MORE PROGRAM ACTIVITY THAN COAST GUARD CAN PROVIDE. EXISTING US-CANADIAN AGREEMENT (JAMIESON-VOLPE) COULD SERVE AS BASIS FOR JOINT PROGRAM BETWEEN CANADIAN COAST GUARD AND MARAD/US COAST GUARD TO ACCELERATE DEVELOPMENT OF ARCTIC MARINE TRANSPORTATION WHICH IS ESSENTIAL PREREQUISITE TO BRINGING OF CANADIAN AND U.S. ARCTIC ENERGY RESOURCES TO EASTERN U.S. AND CANADIAN MARKETS.  
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## Message Attributes

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